

## Transportation Revenue Summary for the November 2008 Forecast

### Motor Fuel Tax Revenues

The November motor fuel tax forecast projected a minimal increase (0.1%) in fuel tax revenues in the current biennium when compared to the forecast prepared in September. Higher retail fuel prices in the early part of the current biennium were offset by lower retail prices in the second half of the biennium resulting in projected net neutral revenues. In FY 2010 retail gasoline prices are projected to be 29% lower compared to September's gas price forecast. Motor fuel tax revenues for the 2009–11 biennium are projected to be approximately \$2.7 billion, which is 1.2% or approximately \$32 million more when compared to the September forecast. This increase in revenues is due to the current and projected lower fuel prices and a lower inflation rate as measured by the gasoline and diesel price indices as well as the implicit price deflator for personal consumption. Slower projections for real personal income growth reflect deteriorating U.S. economic conditions further depressing retail fuel prices. The overall reduction in motor fuel tax revenue for the 16-year period ending in 2023 is about \$487 million when compared to the September 2008 revenue forecast.

Non-highway refunds for gasoline and diesel fuel are accounted for in the motor fuel tax forecast. These refunds reduce net motor fuel distributions. In the November motor fuel tax forecast these refunds have remained fairly static compared to the September forecast, showing only a small increase of 0.54% for gasoline and 0.34% for diesel fuel in the current biennium.

### Licenses, Permits and Fees Revenues

There are significant changes in the November 2008 licenses, permits and fees (LPF). First, actual registrations for FY 2009 are coming in at much lower rates than forecasted in September. Second, the Economic and Revenue Forecast Council lowered income level and growth rates for 2010 and 2011. These growth rates drive the short-term vehicle forecasts, so projected vehicle registration is lower in this forecast than in September.

Car and truck growth from 2008 to 2009 is down slightly at 0.01% for cars and 0.02% for trucks. Afterwards, year to year growth rates for 2010 and 2011 are also lower. In 2012, the forecast shifts to population growth. While OFM revised population growth to be slightly higher, the change does not overcome the lowered personal income growth rates. Therefore, vehicles paying the \$30 basic fee are down by \$3.3 million in current biennium from the last forecast. Subsequent biennia show the decreasing forecast for \$30 vehicles ranging from \$5.5 million (1.82%) to \$7 million (1.85%) by 2025. Combined license fee (CLF) vehicle revenues are also down in the current biennium, by \$3.1 million (0.9%). In subsequent biennia, CLF fees are down \$5.5 million (1.53%) to \$7.5 million (1.71%) by 2025.

The recessionary economy and in particular a lower vehicle sales forecast lead to a reduction in expected revenue in almost every stream, including title fees (2007–09 down \$312,100 or 3%); license plate reflectivity fees (2007–09 down \$176,600 or 1.59%); and license plate technology fees (2007–09 down \$7,500 or 0.26%)

The only exception is license plate replacement fee which sees an increase (2007–09 up \$10,100 or 0.04%). The increase is due to a slightly higher than anticipated voluntary plate replacement in the current year.

### Ferry Fare Revenue

Beyond the current fiscal year, the November Washington State Ferries ridership demand forecasts reflect lower ridership demand over the forecast horizon due to downward revisions to real personal income, employment rates and population. For the remainder of FY 2009 and FY 2010, real gasoline prices are predicted to be over 25% lower than in the September forecast. Thereafter, the real gas price reduction relative to September diminishes to about a 7% decrease by FY 2018. Lower real gas prices have an upward influence on vehicle ridership. The November projection for future inflation is 2% to 3% lower over the forecast horizon relative to September. This causes the real fares to be higher, which all else equal reduces ridership demand. The combined effects of the economic projections yield lower ridership projections over the forecast horizon. In the outer years of the forecast horizon, projected vehicle demand regularly exceeds available vessel capacity on several routes under the current service assumptions, especially in the summer.

Including actual revenue collections through July 2008, revenue for FY 2009 is projected to total \$150.0 million, or \$0.9 million (0.6%) lower than forecast in September. Overall fare revenue for the 2007–09 biennium is projected to be \$298.4 million, or \$900,000 (0.3%) higher than the September forecast. Beyond the next biennium the revenue projections for Scenarios 1 and 2 are 2% to 3% lower than projected in September. Lower inflation further reduces the revenue collected in Scenario 3's inflationary fare increase, resulting in revenue projections upwards of 6% lower than September by FY 2025.

### **Tacoma Narrows Bridge Toll Revenues**

The November Tacoma Narrows Bridge toll revenue forecast incorporates new short-term traffic projections developed by the traffic and revenue consultant for the Tacoma Narrows Bridge. Average daily traffic is assumed to grow 1.0% from FY09 to FY10. Growth in 2011 and 2012 is assumed to be 5.5% and 2.6% respectively. Forecasted traffic beyond 2012 averages an annual growth of 1.4%.

Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. Participation in electronic toll collection (ETC) is estimated at a high 75% for weekday traffic, the average currently being experienced, up from 57% on opening day. From July 16, 2007 to June 30, 2008, the tolls were \$1.75/ETC per 2-axle vehicle and \$3.00/cash per 2-axle vehicle with per axle proportional tolls for multi-axle vehicles. Discounted rates apply for multi-axle vehicles with ETC. Toll rates for FY09 are \$2.75/ETC per 2-axle vehicle and \$4.00/cash per 2-axle vehicle.

Total revenue (toll revenue plus transponder revenue) is projected to be 0.12% higher in the current biennium than was forecast in September due to higher than expected demand for transponders, even though the traffic estimates are lower. Total revenue for the 2009–11 biennium is also projected to be 0.99% lower than predicted in September.

### **Aeronautics Revenues**

The aviation fuel forecast shows a decrease for the November forecast (2007–09 down \$57,800 or 0.99%) mainly due to lower than expected revenue collections to date. Also a change in methodology (from using gross gasoline gallon growth to using net gallons growth) results in a slightly more conservative consumption growth throughout the forecast horizon.

### **Rental Car Tax Revenue**

The forecast for the 2007–09 biennium was decreased \$0.4 million to \$46.9 million and the forecast for the 2009–11 biennium was decreased \$1.7 million to \$45.4 million. Despite the net variance being positive from the September forecast, revenues decreased for the current biennium due to a drop in Global Insight's personal income forecast combined with their higher forecast for the unemployment rate. The 2009–11 biennium decrease was also due to the lower personal income forecast for the period along with a higher forecast of the unemployment rate. Revenues after the 2011–13 biennium were also decreased although the drop was moderated somewhat by the slightly higher growth rate of personal income in the long term.

### **Vehicle Sales Tax Revenue**

The forecast for the 2007–09 biennium was decreased \$2.9 million to \$65.8 million. This was due to a large drop in the Global Insight forecast of the near term growth rate of consumer spending on motor vehicles and parts along with negative variance from the September forecast of \$0.2 million. Revenues for 2009–11 were forecasted to be down \$1.8 million due to a steeper decline in the previous biennium, while 2011-13 was down \$4.4 million due to a weakened recovery after 2010. Unlike the last forecast, personal income growth for Washington State trailed the nation from and contributed to the weaker recovery.

### **Driver Licenses and Other Related Fees Revenues**

The November forecast of revenue to the Highway Safety Account for 2007-2009 is 1.0% (\$791,000) lower than the September forecast. Operator licenses decreased revenue by \$742,000 in FY 09. Vehicle filing fees were also lower as a result of lower prorated vehicle forecast. A lower in-migration of drivers reduces demand for original licenses and related issuances (duplicates, photo only, etc). Renewal of licenses has increased slightly over the past year resulting in a slight increase in future years. The five-year renewal cycle is similar throughout the forecast horizon. The 2007-2009 biennium forecast for

copies of records and abstracts of driver records (ADR) is slightly higher (\$5,000) than the September forecast while overall ADR sales are actually below forecast.

#### Motorcycle Safety Education Fund

The 07–09 biennium revenue is 0.6% (\$24,000) higher than the September forecast due to more exams, permits and original endorsements than expected. Given the overall economic climate and lower gas price, we expect a slight regression in the out years.

#### State Patrol Highway Account 081

Abstracts of Driver Record (ADR): The forecast drops 2.2% (\$600,000) for the current biennium due to lower actual ADR sales as well as lower anticipated ADR sales. We are beginning to see increases in ADR monitoring activity that may be partly blamed for lower ADR sales as monitoring activities can help commercial purchasers to better target ADR purchases. Dealer Temporary Permit Forecast is lower (2007–09 down \$242,000 or 4.32%). This is consistent with the poor economic forecasts and lower vehicle sales forecasts.

### **Miscellaneous Revenues**

The November Motor Vehicle Account miscellaneous revenue forecast for the current biennium has again increased. The net increase of \$1.32m is largely due to a change in expected terms on a property in Snohomish County. The forecast for the 2009–11 biennium has a negligible decrease and the 16-year plan through 2025 is \$906,000 lower than the September forecast, affected mostly by the current implicit price deflator (IPD).

The November forecast for Washington State Ferries miscellaneous revenue (non-fare revenue) in the near biennia are higher and in the outer years of the 16-year plan are lower than in the September revenue forecast.

### **Federal Funds**

The November 2008 forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the January 30, 2008, apportionment notices for federal fiscal year (FFY) 2008 and the adjustment to federal fiscal year 2008 obligation authority contained in the SAFETEA-LU technical corrections bill passed by Congress on April 17<sup>th</sup> which is consistent with the previous 2008 forecasts. Total Federal-aid highway program obligation authority for Washington State in FFY 2008 is \$642 million. The November forecast for FFY 2009 has been lowered to reflect the 2009 rescission. Total Federal-aid highway program obligation authority for Washington State in FFY 2009 is \$483 million. The November forecast for FFY 2010 shows a 20% reduction from 2009 levels and this reduced 2010 level drives the out years of the forecast.

Forecast to Forecast Comparison for Transportation Revenues and Distributions November 2008 • millions of dollars									
	Current Biennium						16-Year Period		
	2007-09			2009-11			(2007-2023)		
	Forecast Nov 08	Change from Sep 08	Percent Change	Forecast Nov 08	Change from Sep 08	Percent Change	Forecast Nov 08	Change from Sep 08	Percent Change
<b>Sources of Transportation Revenue</b>									
Motor Vehicle Fuel Taxes	2,527	3	0.1%	2,709	32	1.2%	23,086	(487)	-2.1%
Licenses, Permits and Fees	926	(8)	-0.9%	941	(17)	-1.8%	8,192	(151)	-1.8%
Ferry Fares	298	(1)	-0.3%	316	(1)	-0.4%	3,099	(66)	-2.1%
Toll Revenue*	75	(0.4)	-0.6%	121	(0.2)	-0.2%	1,389	51	3.8%
Aeronautics Revenues	6	(0.1)	-0.9%	6	(0.2)	-3.8%	51	(2)	-4.3%
Rental Car Tax	47	(0.4)	-0.9%	45	(2)	-3.5%	483	(7)	-1.4%
Vehicle Sales Tax	66	(2)	-2.3%	70	(2)	-3.2%	710	(28)	-3.7%
Driver Licenses and Other Driver-Related Fees	154	(1)	-0.5%	164	1	0.7%	1,370	4	0.3%
Miscellaneous Revenues	24	2	8.2%	21	0.0	0.1%	190	(2.0)	-1.0%
<b>Total Revenues</b>	<b>4,123</b>	<b>(8)</b>	<b>-0.19%</b>	<b>4,393</b>	<b>10</b>	<b>0.2%</b>	<b>38,571</b>	<b>(687)</b>	<b>-1.8%</b>
<b>Distribution of Revenue</b>									
Motor Fuel Tax Refunds and Transfers	135	0	0.2%	131	(5)	-3.3%	1,194	(67)	-5.3%
<b>State Uses</b>									
Motor Vehicle Account (108)	1,080	2	0.2%	1,098	0	0%	9,458	(169)	-1.8%
Transportation 2003 (Nickel) Account (550)	352	(0.5)	-0.1%	375	5	1.3%	3,186	(60)	-1.8%
Transportation 2005 Partnership Account (09H)	524	(0.5)	-0.1%	623	9	1.4%	5,234	(99)	-1.9%
Multimodal Account (218)	239	(4)	-1.6%	243	(7)	-2.9%	2,311	(63)	-2.6%
Special Category C Account (215)	49	0	0%	51	0.8	1.6%	435	(8)	-1.9%
Puget Sound Capital Construction Account (099)	35	0	0%	37	0.6	1.6%	317	(6)	-1.9%
Puget Sound Ferry Operations Account (109)	365	(1)	-0.2%	386	(1)	-0.2%	3,712	(78)	-2.1%
Tacoma Narrows Bridge Account (511)	75	(0.4)	-0.6%	121	0	0.2%	1,389	51	3.8%
Aviation Account (039)	6	(0.1)	-0.9%	6	(0.2)	-3.8%	51	(2)	-4.3%
State Patrol Highway Account (081)	319	(4)	-1.2%	331	(7)	-2.0%	2,881	(59)	-2.0%
Highway/Motorcycle Safety Accts. (106 & 082)	154	(1)	-0.5%	164	1.2	0.7%	1,370	4	0.3%
Freight Mobility Investment Account (09E)	6	0	0%	6	0	0%	48	0	0.0%
Air Pollution Control Account (216)	4	(0.1)	-1.2%	n/a	n/a	n/a	4	n/a	n/a
Vessel Response Account (07C)	1	0	1.2%	n/a	n/a	n/a	1	n/a	n/a
<b>Total for State Use</b>	<b>3,210</b>	<b>(8)</b>	<b>-0.3%</b>	<b>3,440</b>	<b>2</b>	<b>0.1%</b>	<b>30,397</b>	<b>(489)</b>	<b>-1.6%</b>
<b>Local Uses</b>									
Cities	190	0	0%	200	3	1.6%	1,701	(32)	-1.9%
Counties	323	(0.1)	0%	341	5	1.6%	2,895	(55)	-1.9%
Transportation Improvement Board (112 & 144)	199	0	0%	210	3	1.6%	1,784	(34)	-1.9%
County Road Administration Board (102 & 186)	67	0	0%	71	1	1.6%	600	(11)	-1.9%
<b>Total for Local Use</b>	<b>779</b>	<b>0</b>	<b>0.0%</b>	<b>821</b>	<b>13</b>	<b>1.6%</b>	<b>6,979</b>	<b>(132)</b>	<b>-1.9%</b>
<b>Total Distribution of Revenue</b>	<b>4,123</b>	<b>(8)</b>	<b>-0.2%</b>	<b>4,393</b>	<b>10</b>	<b>0.2%</b>	<b>38,571</b>	<b>(687)</b>	<b>-1.8%</b>

\* 2007-09 is the first biennium to include Tacoma Narrows Bridge toll revenue; November 2008 is the first forecast to include HOT Lanes toll revenue.

Current Forecast and Legislative Baseline Comparison for Transportation Revenues November 2008 • millions of dollars									
	Current Biennium						16-Year Period		
	2007-09			2009-11			(2007-2023)		
	November 2008 forecast	Change from Baseline*	Percent Change from Baseline	November 2008 forecast	Change from Baseline*	Percent Change from Baseline	November 2008 forecast	Change from Baseline*	Percent Change from Baseline
<b>Sources of Revenue</b>									
Motor Vehicle Fuel Taxes	2,527	(60)	-2.3%	2,709	(88)	-3.1%	23,086	(1,537)	-6.2%
Licenses, Permits and Fees	926	(16)	-1.7%	941	(41)	-4.2%	8,192	(337)	-4.0%
Ferry Fares†	298	(3)	-1.1%	316	(13)	-3.9%	3,099	(138)	-4.3%
Toll Revenue	75	(2)	-3.0%	121	(6)	-4.5%	1,389	43	3.2%
Aeronautics Revenues	6	0.0	0.2%	5.9	(0.5)	-7.1%	51	(3)	-5.5%
Rental Car Tax	47	(0.0)	-0.1%	45	(4)	-7.4%	483	(10)	-2.1%
Vehicle Sales Tax	66	(9)	-11.6%	70	(11)	-13.8%	707	(57)	-7.4%
Driver Licenses and Other									
Driver-Related Fees	154	(0.3)	-0.2%	164	(1)	-0.8%	1,370	(14)	-1.0%
Miscellaneous Revenues	24	4	20.4%	21	0.6	2.8%	193	13	7.2%
<b>Total Revenues</b>	<b>4,123</b>	<b>(86)</b>	<b>-2.0%</b>	<b>4,393</b>	<b>(163)</b>	<b>-3.6%</b>	<b>38,571</b>	<b>(2,040)</b>	<b>-5.0%</b>

\* 08LEG - Conference draft 4/15/08

† Scenario #2 – 2.5% fare increases each October, 2009 through 2024.

Components may not add due to rounding.

# Historical and Forecast Projections for Petroleum Prices

## November 2008 Revenue Forecast

Washington Retail Gasoline <sup>1</sup>				Washington Retail Diesel <sup>1</sup>				Crude Oil - Price per Barrel <sup>2</sup>						
		Optimistic	Baseline	Pessimistic			Optimistic	Baseline	Pessimistic			Optimistic	Baseline	Pessimistic
Fiscal Year 2008	Jul-2007		3.05				3.05					74.12		
	Aug-2007		2.88				3.15					72.36		
	Sep-2007		2.92				3.13					79.91		
	Oct-2007		3.05				3.46					85.80		
	Nov-2007		3.27				3.74					94.77		
	Dec-2007		3.21				3.60					91.69		
	Jan-2008		3.17				3.51					92.97		
	Feb-2008		3.18				3.56					95.39		
	Mar-2008		3.51				4.03					105.45		
	Apr-2008		3.64				4.33					112.58		
	May-2008		3.91				4.70					125.40		
	Jun-2008		4.33				4.90					133.88		
Annual Average			3.34				3.76					97.03		
Fiscal Year 2009	Jul-2008		4.36				4.92					133.37		
	Aug-2008		4.07				4.64					116.67		
	Sep-2008		3.83				4.33					104.11		
	Oct-2008		3.25				3.69					76.61		
	Nov-2008	2.46	2.44	2.24	2.99	2.97	2.69	60.86	59.71	48.40				
	Dec-2008	2.46	2.44	2.24	2.95	2.92	2.65	61.87	60.70	49.20				
	Jan-2009	2.56	2.38	2.15	2.83	2.63	2.37	64.75	55.70	45.52				
	Feb-2009	2.61	2.42	2.19	3.02	2.80	2.51	65.79	56.60	46.25				
	Mar-2009	2.63	2.44	2.21	3.09	2.86	2.56	64.75	55.70	45.52				
	Apr-2009	2.87	2.52	2.20	3.20	2.78	2.40	64.42	49.19	36.47				
	May-2009	2.94	2.58	2.25	3.24	2.82	2.43	65.47	50.00	37.07				
	Jun-2009	2.98	2.62	2.28	3.26	2.83	2.44	66.53	50.81	37.67				
Annual Average		3.10	2.95	2.76	3.51	3.35	3.14	78.77	72.43	64.74				
FY 2010	July -Sept	2.84	2.48	2.10	3.25	2.80	2.32	66.07	51.00	35.07				
	Oct - Dec	2.77	2.44	2.11	3.14	2.73	2.32	69.07	54.00	40.08				
	Jan - Mar	2.88	2.58	2.28	3.13	2.76	2.40	71.04	57.00	44.08				
	Apr - June	3.34	2.99	2.71	3.51	3.10	2.75	74.61	60.00	49.08				
	Annual Average	2.96	2.62	2.30	3.26	2.85	2.45	70.20	55.50	42.07				
FY 2011	July -Sept	3.21	2.95	2.73	3.58	3.24	2.95	76.12	65.00	56.08				
	Oct - Dec	3.16	2.96	2.82	3.45	3.20	3.02	80.24	71.00	65.08				
	Jan - Mar	3.15	3.02	2.97	3.39	3.24	3.18	82.38	77.00	76.08				
	Apr - June	3.62	3.50	3.54	3.80	3.65	3.71	85.99	80.00	83.08				
	Annual Average	3.29	3.11	3.02	3.56	3.33	3.21	81.18	73.25	70.08				

Shading = Actuals; No shading = Forecast

<sup>1</sup> Washington retail price per gallon for gasoline is for all Grades. Both gasoline and diesel retail prices include state and federal taxes

<sup>2</sup> U.S. West Texas Intermediate Crude

### SOURCES:

#### Retail Gasoline:

Actuals are collected from Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in Washington conducted each Monday.

Forecasted prices are determined from Global Insight's November 2008 forecast of quarterly U.S. retail prices for all grades of gasoline adjusted for Washington's taxes compared to U.S. taxes.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. gasoline prices published by the November 2008 EIA Short-Term Energy Outlook (STEO).

#### Retail Diesel:

Actuals are collected from AAA's publication of retail prices for diesel in Washington conducted Monday of each week.

Forecasted prices are determined from Global Insight's November 2008 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the November 2008 EIA STEO.

#### West Texas Intermediate (WTI) Crude:

Actuals are collected from Global Insight's November 2008 series for U.S. prices for WTI crude.

Forecasted prices are determined from Global Insight's November 2008 forecast of WTI crude.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. WTI crude prices published by the November 2008 EIA STEO.

# Historical and Forecast Projections for Washington State Ferry Diesel Fuel Prices

Ex-tax price per gallon • November 2008 Revenue Forecast

Washington State Ferry Diesel Fuel <sup>3</sup>			
	Optimistic	Baseline	Pessimistic
Fiscal Year 2008	Jul-2007	2.29	
	Aug-2007	2.25	
	Sep-2007	2.35	
	Oct-2007	2.75	
	Nov-2007	2.86	
	Dec-2007	2.66	
	Jan-2008	2.52	
	Feb-2008	2.80	
	Mar-2008	3.26	
	Apr-2008	3.54	
	May-2008	3.87	
	Jun-2008	3.93	
Annual Average		2.90	
Fiscal Year 2009	Jul-2008	4.02	
	Aug-2008	3.54	
	Sep-2008	3.14	
	Oct-2008	2.74	2.34
	Nov-2008	2.10	1.79
	Dec-2008	2.06	1.76
	Jan-2009	1.94	1.47
	Feb-2009	2.13	1.61
	Mar-2009	2.20	1.66
	Apr-2009	2.32	1.50
	May-2009	2.36	1.53
	Jun-2009	2.38	1.54
Annual Average		2.60	2.43 2.19
FY 2010	July -Sept	2.36	1.91 1.41
	Oct - Dec	2.26	1.84 1.42
	Jan - Mar	2.24	1.86 1.49
	Apr - June	2.63	2.21 1.85
	Annual Average	2.37	1.95 1.54
FY 2011	July -Sept	2.71	2.36 2.06
	Oct - Dec	2.58	2.32 2.13
	Jan - Mar	2.52	2.36 2.30
	Apr - June	2.93	2.78 2.84
	Annual Average	2.68	2.45 2.32

Shading = Actuals; No shading = Forecast

<sup>3</sup> Ex-tax price per gallon

## SOURCES:

### Washington State Ferry Diesel Fuel:

Monthly actual prices are supplied by WSF.

Forecasted prices are determined from Global Insight's November 2008 forecast of producer price index for refined petroleum products. Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the November 2008 EIA STEO.